

Message Text

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PAGE 01 STATE 230438

13

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TO USMISSION NATO

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E.O. 11652: GDS

TAGS: ECON, NATO

REF: USNATO 5564

SUBJ: ECONAD STUDY OF HUNGARIAN ECONOMY

1. PAPER ON HUNGARIAN ECONOMY (AC/127-WP/369) IS GENERALLY WELL DONE AND DEPT HAS NO OBJECTION TO ITS BEING SENT TO COUNCIL FOR NOTING.

2. WE DO HAVE FOLLOWING SUBSTANTIVE COMMENT WHICH MISSION MAY, AT ITS DISCRETION, SEEK TO HAVE REFLECTED IN FINAL VERSION OF PAPER. RECENT CENTRALIZING MEASURES TAKEN IN LIGHT OF FIRST YEAR'S EXPERIENCE WITH NEW ECONOMIC MECHANISMS (NEM) APPEAR TO US TO BE DUE LESS TO THE CHANGING POLITICAL BACKGROUND REFERRED TO IN PARAS 16-17, THAN TO DEFECTS REVEALED AS THE NEM PROCEEDED. WITH DECENTRALIZATION, AND IN ABSENCE OF ADEQUATE GUIDELINES, WASTEFUL
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PAGE 02 STATE 230438

PRACTICES WERE SEEN, PARTICULARLY IN THE AREA OF PLANT

INVESTMENT. THIS ULTIMATELY HAD NEGATIVE EFFECT ON HUNGARY'S FOREIGN EXCHANGE POSITION AS WELL. IT WAS THEREFORE CONSIDERED NECESSARY TO REINSTITUTE FIRMER GUIDELINES IN ORDER TO ACHIEVE A BETTER BALANCE BETWEEN CENTRAL DIRECTION OF THE COUNTRY'S LIMITED RESOURCES AND INITIATIVE AT THE INDUSTRY AND PLANT LEVEL. THE HUNGARIAN GOVERNMENT'S COMMITMENT TO THE NEM'S PURPOSE, HOWEVER, IS FREQUENTLY RE-STATED AND APPEARS GENUINE. KISSINGER

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